

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,</div> <div>as representative of</div> <div>THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i></div> <div>Debtors.¹</div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-3283-LTS (Jointly Administered)</div>
<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO</div> <div>as representative of</div> <div>PUERTO RICO ELECTRIC POWER AUTHORITY,</div> <div>Debtor.</div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-4780-LTS</div> <div>Re: ECF No. 2220</div>

**STATUS REPORT OF THE GOVERNMENT PARTIES
REGARDING THE COVID-19 PANDEMIC AND THE 9019 MOTION**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Court Judge Laura Taylor Swain:

The Puerto Rico Electric Power Authority (“PREPA”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the Debtor’s sole Title III representative pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”),² and the Puerto Rico Fiscal Agency and Financial Authority (“AAFAF,” and collectively with PREPA and the Oversight Board, the “Government Parties”), as the entity authorized to act on behalf of PREPA pursuant to the authority granted to it under the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act 2-2017, respectfully submit this status report (the “Status Report”), regarding the response to the COVID-19 pandemic and the status of the 9019 Motion.³

Background

1. On May 10, 2019, the Government Parties filed the *Joint Motion of Puerto Rico Electric Power Authority and AAFAF Pursuant to Bankruptcy Code Sections 362, 502, 922, and 928, and Bankruptcy Rules 3012(a)(1) and 9019 for Order Approving Settlements Embodied in the Restructuring Support Agreement* [Case No. 17-BK-4780-LTS, ECF No. 1235]⁴ (the “9019 Motion”) seeking an order approving certain settlements embodied in the RSA.

2. In response to the spread of COVID-19 and its effects on the people and economy of Puerto Rico, on March 27, 2020, the Government Parties filed the *Urgent Joint Motion of the Government Parties to Adjourn all Deadlines Applicable to the Joint Motion of Puerto Rico Electric Power Authority and AAFAF Pursuant to Bankruptcy Code Sections 362, 502, 922, and 928, and Bankruptcy Rules 3012(a)(1) and 9019 for Order Approving Settlements Embodied in*

² PROMESA is codified at 48 U.S.C. §§ 2101–2241.

³ As defined below.

⁴ All docket entry references herein are to entries in Case No. 17-BK-4780-LTS, unless otherwise specified.

the Restructuring Support Agreement [ECF No. 1235] [ECF No. 1947] (the “Adjournment Motion”), in which the Government Parties asked this Court to adjourn all hearing and briefing deadlines in connection with the 9019 Motion and direct the Government Parties to file a status report on or before May 15, 2020.

3. On April 2, 2020, the Court granted the Adjournment Motion and directed the Government Parties to file a status report “providing an update on PREPA’s financial condition and proposing next steps with respect to the 9019 Motion and the pending motions to dismiss in Adversary Proceeding Nos. 19-396 and 19-405 on or before May 15, 2020.” Adjournment Order ¶ 3.

4. On May 15, 2020, the Government Parties filed their *Status Report of the Government Parties Regarding the Covid-19 Pandemic and the 9019 Motion*, [ECF No. 1992] (the “May 15, 2020 Status Report”), in which the Government Parties informed the Court that, among other things, “[t]he COVID-19 pandemic has reshaped Puerto Rico’s economic landscape” (¶ 5), “PREPA’s collections have decreased due to the pandemic” (¶ 6), “the situation remains fluid” (¶ 6), “the Government Parties’ focus remains on ensuring the health and well-being of the people of Puerto Rico, and assessing the short- and medium-term impact of the pandemic on Puerto Rico’s economy” (¶ 7), and “the Oversight Board still lacks sufficient visibility into PREPA’s prospects to determine the feasibility of the restructuring contemplated by the RSA⁵” (¶ 7).

5. After the Government Parties submitted a status report on May 15, 2020, the Official Committee of Unsecured Creditors (the “Committee”) filed a response admitting “[t]he Oversight Board should take the appropriate time to evaluate potential paths forward,” but,

⁵ Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the September 25, 2020 Status Report.

nevertheless, declaring that the RSA no longer exists in its current form, and requesting the Court terminate the 9019 Motion absent the Oversight Board confirming it will proceed with the 9019 Motion in its current form.⁶ The Court denied the Committee's requested relief and granted the adjournment of the hearing on the 9019 Motion.⁷

6. In compliance with the May 22, 2020 Adjournment Order, the Government Parties submitted a status report on July 31, 2020, informing the Court that because the COVID-19 pandemic was continuing to unfold, more time was necessary to understand how the situation will impact PREPA.⁸ Neither the Committee nor any other party filed a response to the status report. The Court ordered the continued adjournment of the deadlines and hearing in connection with the 9019 Motion and directed the Government Parties to file a status report on September 25, 2020. See August 5, 2020 Adjournment Order.

7. On August 18, 2020, the Committee filed a motion to terminate the 9019 Motion. See *Motion of Official Committee of Unsecured Creditors to Terminate Bankruptcy Rule 9019 Motion*, [ECF No. 2144] (the "Termination Motion"). On September 11, 2020, the Court adjourned the hearing on the Termination Motion until after submission of the Government

⁶ *Official Committee of Unsecured Creditors' (a) Response to Status Report of Government Parties Regarding COVID-19 Pandemic and PREPA 9019 RSA Motion [Docket No. 1992 in Case No. 17- 4780] and (b) Statement of Position Regarding Status Report of Financial Oversight and Management Board for Puerto Rico regarding COVID-19 Pandemic and Proposed Disclosure Statement Schedule [Docket No. 13018 in Case No. 17-3283] ¶ 9*, [ECF No. 1996].

⁷ See Order (i) *Further Adjourning Deadlines Applicable to the Joint Motion of Puerto Rico Electric Power Authority and AAFAF Pursuant to Bankruptcy Code Sections 362, 502, 922, and 928, and Bankruptcy Rules 3012(a)(1) and 9019 for Order Approving Settlements Embodied in the Restructuring Support Agreement [ECF No. 1235]*, and (ii) *Adjourning the June 3, 2020, Hearing on the Government Parties' and the Bondholders' Motions to Dismiss Amended Complaints in Adversary Proceedings*, [ECF No. 2006] (the "May 22, 2020 Adjournment Order").

⁸ *Status Report of the Government Parties Regarding the COVID-19 Pandemic and 9019 Motion*, [ECF No. 2111] (the "July 31, 2020 Status Report").

Parties' September 25 status report. *See Order Regarding the Official Committee of Unsecured Creditors' Motion to Terminate Rule 9019 Motion* at 2, [ECF No. 2189].

8. On September 25, 2020, the Government Parties filed their *Status Report of the Government Parties Regarding the COVID-19 Pandemic and 9019 Motion* [ECF No. 2220] (the "September 25, 2020 Status Report"), which noted that the Government Parties continue to evaluate the RSA by conducting diligence and analysis (§ 20) while continuing to move ahead on critical initiatives such as transformation of the T&D system (§ 21). The Government Parties requested that the adjournment of the 9019 Motion remain in place, and that they be permitted to provide the Court an updated status report on their position on or before December 9, 2020. *Id.* ¶ 28.

9. On October 23, 2020, the Court filed an order stating that the Termination Motion would be taken on submission. *See Order Regarding the Official Committee of Unsecured Creditors' Motion to Terminate Rule 9019 Motion* [ECF No. 2265].

10. On November 11, 2020 the Court denied the Termination Motion, finding that (i) the Government Parties are continuing to evaluate the underlying agreement and any potential modifications to it, (ii) the RSA has not been terminated, (iii) the Committee is not prejudiced by the continued adjournment of the 9019 Motion because it does not compromise any of their rights, and (iv) the Government Parties would suffer significant prejudice if the 9019 Motion were terminated because "costly, time-consuming, and multifarious litigation" would "undermine the existing consensual process contemplated by parties to the RSA." *See Order Denying the Official Committee of Unsecured Creditors' Motion to Terminate Rule 9019 Motion* at 4, [ECF No. 2287]. The Termination Motion was denied without prejudice to renewal after April 21, 2021. *Id.* at 2. The Committee filed a Notice of Appeal of this order on December 4, 2020 [ECF No. 2320].

Update on Conditions on the Island

11. Since the submission of the September 25, 2020 Status Report, the COVID-19 pandemic has continued to affect lives and livelihoods on the Island, as it has across the globe. Although many of the initial restrictions implemented by the Commonwealth were lifted, increasing COVID cases resulted in the Commonwealth implementing new restrictions beginning November 16, 2020, limiting capacity at businesses, requiring face masks, and re-instituting a curfew, all in an effort to curb the spread of the coronavirus.⁹ On December 3, 2020, Governor Vazquez imposed further restrictions to take effect from December 7, 2020 to January 7, 2021, including imposing a curfew from Monday to Saturday and a full lockdown on Sundays.¹⁰ As of December 9, 2020, there are 56,674 confirmed and likely cases of COVID-19 and 1,219 deaths caused by the disease on the Island.¹¹ The date a vaccine will be available and administered to Puerto Rico's residents remains unknown, as it is unknown for the balance of the United States and its territories. Therefore, the duration of a constrained economy continues to be unknown.

12. In spite of the challenging conditions on the Island, the Commonwealth completed its November elections, and Pedro Pierluisi was announced as the winner of the gubernatorial race.¹² At a November 16, 2020 government transition hearing, Governor-elect Pierluisi pledged to move quickly on Puerto Rico's debt restructuring and stated that he will serve on the Oversight Board in an ex officio capacity, rather than having an AAFAF representative in such position.¹³

⁹ NBC News, Puerto Rico Will Activate National Guard to help enforce Covid-19 Curfew, *available at* <https://www.nbcnews.com/news/latino/puerto-rico-will-activate-national-guard-help-enforce-covid-19-n1247761>.

¹⁰ AP News, Puerto Rico to Lock Down Sundays, Close Marinas for Holidays, *available at* <https://apnews.com/article/puerto-rico-coronavirus-pandemic-3a870e3884c7e50922e2459acb5a37be>.

¹¹ Departamento de Salud, COVID-19 Cases in Puerto Rico, *available at* <http://www.salud.gov.pr/Pages/coronavirus.aspx>.

¹² AP News, Pedro Pierluisi Wins Gubernatorial Race in Puerto Rico, *available at* <https://apnews.com/article/puerto-rico-general-elections-elections-latin-america-pedro-pierluisi-12defbcc08b4e5dbd53940c18ba87ff7>

¹³ Reorg Research, Gov.-Elect Pierluisi Discusses Need to Move Quickly on Debt Restructuring; Says Covid-19

The Oversight Board looks forward to working with Governor-elect Pierluisi. In the meantime, the Government Parties continue their efforts and work with Governor Vázquez toward a successful restructuring for PREPA and its eventual exit from Title III.

13. On December 4, 2020, PREPA announced Efrán Paredes-Maisonet was confirmed as executive director by PREPA's governing board. Mr. Paredes-Maisonet has served as interim executive director since August 2020, and will continue to work with the Government Parties in his official role. The governing board also approved the appointment of Fernando Padilla as deputy director of operations and Jaime López Díaz as deputy director of finance and administration.

Evaluation of the RSA

14. Evaluation of the RSA continues and the 9019 Motion remains pending as the Government Parties seek to preserve the largely consensual posture of the case by evaluating the RSA in light of the changing economic landscape to determine whether the RSA needs to be renegotiated and, if so, how.

15. Since the last status report, the Oversight Board has continued to conduct diligence into the RSA and the affordability and sustainability of electricity rates on the island given the still changing economic landscape and the effects of the COVID-19 pandemic, as well as to analyze the optimal means of implementing the RSA transactions even though required legislation has not been enacted.. This diligence and analysis is critical to inform the Government Parties' determination regarding whether the RSA should be renegotiated and the parameters for doing so.

Economic, Fiscal Impacts Require Renegotiation of Commonwealth, PREPA Proposals; Plans to Serve Directly on Oversight Board, *available at* https://app.reorg.com/v3#/items/intel/1869?item_id=124211.

16. Additionally, the Government Parties have moved ahead on critical initiatives, such as transformation of the T&D system through the now-effective Operation and Maintenance Agreement with LUMA Energy, which will enhance PREPA's ability to provide reliable and affordable power to its customers.

17. PREPA and the Puerto Rico Public-Private Partnership Authority ("P3A") have also commenced the process of seeking a similar management transaction for PREPA's power generation assets. In August 2020, PREPA and the P3A jointly issued a request for qualifications¹⁴ ("RFQ") from private entities to run PREPA's legacy generation, and received more than 15 responses. After carefully evaluating all the statements of qualifications received, the partnership committee created by the P3 Authority issued a request for proposals to a shortlist of eight (8) qualified proponents.

18. In September 2020, the Federal Emergency Management Administration (FEMA) announced that it plans to award almost \$13 billion to Puerto Rico, with approximately \$10.5 billion dedicated to help rebuild and harden Puerto Rico's electrical grid system as part of the recovery efforts from the 2017 hurricanes. Federal funding will allow PREPA to repair and replace thousands of miles of transmission and distribution lines, electrical substations, power generation systems, and office buildings, and make other grid improvements. PREPA submitted a 10-year plan for use of the funds to FEMA on December 7, 2020.

Next Steps

19. As described above, the Government Parties are continuing to conduct diligence into the impact of recent events on Puerto Rico and its economy and to analyze potential

¹⁴ PREPA, Request for Qualifications (Aug. 10, 2020), *available at* <https://app.reorg.com/documents/20200811/5f32b5e7e8cb2.pdf>.

amendments to the RSA under current circumstances. The Government Parties have made material progress on these analyses and the process remains ongoing. The Government Parties will also work with Governor-elect Pierluisi and the newly elected legislature regarding the path forward with respect to the RSA and PREPA's exit from bankruptcy.

20. Throughout the adjournment of the 9019 Motion, the Government Parties have provided regular status reports to the Court regarding the progress of their evaluations, and they will continue to do so. Accordingly, the Government Parties suggest they provide the Court an updated status report on the Government Parties' position on or before March 10, 2021.

[Remainder of page intentionally left blank]

Dated: December 9, 2020
San Juan, Puerto Rico

Respectfully submitted,

O'MELVENY & MYERS LLP

/s/ Elizabeth L. McKeen

John J. Rapisardi
Nancy A. Mitchell
Maria J. Diconza
7 Times Square
New York, NY 10036
Telephone: (212) 326-2000
Facsimile: (212) 326-2061
Email: jrapisardi@omm.com
nmitchell@omm.com
mdiconza@omm.com

-and-

Peter Friedman
1625 Eye Street, NW
Washington, DC 20006
Telephone: (202) 383-5300
Facsimile: (202) 383-5414
Email: pfriedman@omm.com

-and-

Elizabeth L. McKeen
Ashley M. Pavel
610 Newport Center Drive, 17th Floor
Newport Beach, CA 92660
Telephone: (949) 823-6900
Facsimile: (949) 823-6994
Email: emckeen@omm.com

*Attorneys for the Puerto Rico Fiscal
Agency and Financial Advisory
Authority and Puerto Rico Electric Power
Authority*

PROSKAUER ROSE LLP

/s/ Martin J. Bienenstock

Martin J. Bienenstock (*pro hac vice*)
Paul V. Possinger (*pro hac vice*)
Ehud Barak (*pro hac vice*)
Daniel S. Desatnik (*pro hac vice*)
Eleven Times Square
New York, NY 10036
Tel: (212) 969-3000
Fax: (212) 969-2900

*Attorneys for the Financial Oversight and
Management Board as representative for the
Debtors*

O'NEILL & BORGES LLC

/s/ Hermann D. Bauer

Hermann D. Bauer
USDC No. 215205
250 Muñoz Rivera Ave., Suite 800
San Juan, PR 00918-1813
Tel: (787) 764-8181
Fax: (787) 753-8944

*Co-Attorneys for the Financial Oversight and
Management Board as representative for the
Debtors*

MARINI PIETRANTONI MUÑIZ, LLC

/s/ Luis C. Marini-Biaggi

Luis C. Marini-Biaggi

USDC 222301

250 Ponce de León Ave., Suite 900

San Juan, Puerto Rico 00918

Tel.:(787) 705-2171

Email: lmarini@mpmlawpr.com

*Co-Attorneys for the Puerto Rico Fiscal
Agency and Financial Advisory
Authority*

DÍAZ & VÁZQUEZ LAW FIRM, P.S.C.

/s/ Katuska Bolaños

Katuska Bolaños

USDC No. 231812

290 Jesús T. Piñero Ave.

Oriental Tower, Suite 1105

San Juan, PR 00918

Tel: (787) 395-7133

Fax: (787) 497-9664

Email: kbolanos@diazvaz.law

*Attorneys for Puerto Rico Electric Power
Authority*